

RICHARDSON BAY SANITARY DISTRICT

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2016 AND 2015**

RICHARDSON BAY SANITARY DISTRICT

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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**Perotti And Carrade***Certified Public Accountants**A Professional Corporation**1100 Larkspur Landing Circle**Suite 358**Larkspur, CA 94939**Telephone 415 461-8500**FAX 415 461-6342***INDEPENDENT AUDITORS' REPORT**

Board of Directors,
Richardson Bay Sanitary District

We have audited the accompanying financial statements of Richardson Bay Sanitary District as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financials statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial statement audits contained in the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the District's internal

controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Richardson Bay Sanitary District as of June 30, 2016 and 2015, and the respective changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7, the schedule of funding progress for retired employee health care plan on page 27, the schedule of the District's proportionate share of net pension liability administered by CalPERS on page 28, and the schedule of the District's pension contribution on page 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standard Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Richardson Bay Sanitary District's basic financial statements. The additional information on pages 30 through 33 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The additional information on page 34 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information on page 34 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

March 21, 2017

A handwritten signature in blue ink, reading "Perotti & Carrade". The signature is written in a cursive, flowing style.

RICHARDSON BAY SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the District's Independent Audit Report presents management's discussion and analysis of the District's financial performance during the year ended June 30, 2016. Please read it in conjunction with the District's general purpose financial statements and accompanying notes, which follow this section.

Economic Factors and Next Year's Operating Plans

As a result of increasing operating costs, the District obtained an evaluation of the District's rates and operating costs for the next five years. The Board concluded the District was required to increase its rates to cover increasing operating costs, the most significant being the sewage processing performed by Sewerage Agency of Southern Marin. During the fiscal year ended June 30, 2016, the District approve rate increases through the year ending June 30, 2021. The rate will increase over the five-year period from \$246 to \$826 for single family residences and non-residential units and from \$246 to \$565 for multi-family residential units.

Required Financial Statements

The financial statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

The Statement of Net Position includes all of the District's assets and liabilities and provides information about the nature and amount of investment resources (assets) and obligations (liabilities). Over time, increases or decreases in net position may serve as a useful indicator of whether the net position of the District is improving or deteriorating.

All the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine credit worthiness and whether the District has successfully recovered all of its cost through its user fees and other charges.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments made during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities.

Financial Analysis

This discussion is intended to serve as an introduction to the District's basic financial statements. The District's financial statements are comprised of two components: 1) District financial statements, and 2) notes to the financial statements.

RICHARDSON BAY SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following are the District's condensed statements of net position.

				Increase (Decrease) Over 2015	Percent Increase (Decrease)
	2016	2015			
Cash	\$ 1,595,379	\$ 1,303,363	\$	292,016	22.40%
Board restricted reserves	1,983,627	2,301,285		-317,658	-13.80%
Other current assets	106,061	71,810		34,251	47.70%
Property	14,141,398	14,210,935		-69,537	-0.49%
Deferred outflows of resources	81,372	100,631		-19,259	-19.14%
Total assets and deferred outflows of resources	17,907,837	17,988,024		-80,187	-0.45%
Payables and other current liabilities	176,004	73,639		102,365	139.01%
Net pension liability and related deferred inflows of resources	1,355,368	1,301,247		54,121	4.16%
Total liabilities and deferred inflow of resources	1,531,372	1,374,886		156,486	11.38%
Net position:					
Net investment in capital assets	14,141,398	14,210,935		-69,537	-0.49%
Unrestricted	2,235,067	2,402,203		-167,136	-6.96%
Total net position	\$ 16,376,465	\$ 16,613,138	\$	-236,673	-1.42%

Net Position Statement and Analysis

The District's total net position decreased by \$236,673, or 1.42%, as a result of operations for the year ended June 30, 2016. The District lost approximately \$1,939,000 from operating activities, which was offset by approximately \$1,692,000 in property tax collections and investment earnings resulting in a net loss of approximately \$246,000.

During the year, the District replaced \$430,594 of sewer line within the borders of the District. The costs of these capital improvements and other smaller capital improvement projects were initially funded by operations. The District transferred about \$300,000 from its capital improvements reserve to replenish its operation account for a substantial portion of the costs.

Effective June 30, 2012, the District elected to participate in the California Employer's Retiree Benefit Trust (CERBT), a CalPERS program to assist agencies to fund, in advance, other

RICHARDSON BAY SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Net Position Statement and Analysis (continued)

postretirement benefits (OPEB) which covers medical and dental insurance benefits (exclusive of Medicare) during retirement. Contributions made by the District to the trust are invested by the trust to provide for payment of benefits.

As of June 30, 2016, 9.8% of the District's net position were held in cash available for operations. The District did not require any long-term financing to fund operations or capital improvements in 2016.

The following are the District's condensed statements of revenue, expenses and changes in net position:

	2016	2015	Increase (Decrease) Over 2015	Percent Increase (Decrease)
Operating revenues	\$ 1,301,275	\$ 1,295,030	\$ 6,245	0.48%
Nonoperating revenues	1,692,439	1,578,987	113,452	7.19%
Total revenues	2,993,714	2,874,017	119,697	4.16%
Operating expenses	3,239,823	2,976,836	262,987	8.83%
Change in net assets	(246,109)	(102,819)	(143,290)	139.36%
Net position - beginning of period	16,613,138	16,679,077	(65,939)	-0.40%
Contributed capital	9,436	36,880	(27,444)	-74.41%
Net position - end of period	\$ 16,376,465	\$ 16,613,138	\$ (236,673)	-1.42%

Revenue, Expenses and Changes in Net Position Statement and Analysis

There was no significant change in operating revenues during the year ended June 30, 2016. The District received \$113,736 more in property taxes during the year ended June 30, 2016 compared to the year ended June 30, 2015. The increase was attributed to an increase in secured property taxes. Of the \$262,987 increase in operating expenses, \$42,504 is attributed to an annual increase of approximately 3.0% for sewage collecting and processing by Sewerage Agency of Southern Marin (SASM) and \$145,569 is due to the increase in pension expense. Pension expense fluctuates annually as the District is required to reflect differences between actual results and actuarial assumptions related to pension liability as pension expense over a period of approximately four years.

The District and five other districts are members of a joint powers authority which operates SASM. SASM's purpose is to treat and dispose of sewage collected by member agencies. SASM's revenue is derived from charging the six member agencies to cover projected operating and finance costs. It is expected the fee charged by SASM will increase at a rate of more than 3% each year for the foreseeable future.

RICHARDSON BAY SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets

The District and its Board have elected to make major replacements and improvements to its infrastructure. Since June 30, 2009 the District has made improvements to its capital assets of approximately \$9,765,000. With the completion of the pipe replacement projects being completed in 2015, approximately seventy percent of the sewerage lines within the District have been replaced. Going forward, the District's approach will be to make minor improvements with the intention of replacing the sewerage lines on a rolling basis every twenty years. The District has developed and continually updates a comprehensive plan for replacement and improvement of sewer lines, pump stations, facilities and other District equipment. Additional information on the District's capital assets can be found in Note 4 to the financial statements.

Accounting System and Budgetary Control

Management of the District is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are made to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management and board authorization and are properly recorded to permit the preparation of financial statements. We believe that the District's internal accounting controls do adequately safeguard assets and provide reasonable assurance that financial transactions are recorded properly.

The District is a California Special District maintained in a single enterprise fund. As a special district, charges to customers are made only to those who receive services. The District's account structure, insofar as is practical and in accordance with generally accepted accounting principles, generally follows the State Controller's System of Accounts and Waste Management Districts, a set of procedures that provides the general accounting and reporting guidelines to be used by all California Special Districts performing waste management enterprise activities.

The District and its Board adopts an annual non-appropriated budget and a long-term capital improvements budget to serve as its approved financial plan. Any increases in connection fees and infrastructure charges are likewise approved by the Board after public hearings. The budget is used as a key control device: (1) to ensure Board approval for amounts set for operations and capital improvements; (2) to monitor expenses and project progress, and (3) as compliance that approved spending levels have not been exceeded. All operating activities and capital activities of the District are included within the approved budgets.

RICHARDSON BAY SANITARY DISTRICT

**STATEMENTS OF NET POSITION
JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Current Assets:		
Cash and equivalents	\$ 1,595,379	\$ 1,303,363
Accounts receivable		6,498
Total current assets	<u>1,595,379</u>	<u>1,309,861</u>
Other Assets:		
Other post-employment benefits (OPEB) cost funded in advance	106,061	65,312
Board restricted cash reserves	1,983,627	2,301,285
Property, plant and improvements-net	14,141,398	14,210,935
Total other assets	<u>16,231,086</u>	<u>16,577,532</u>
Total Assets	<u>17,826,465</u>	<u>17,887,393</u>
<u>DEFERRED CASH OUTFLOWS: Pension costs</u>	<u>81,372</u>	<u>100,631</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable:		
Operating accounts payable	36,083	38,227
Improvement projects in process	108,237	
Compensated absence liability	24,578	28,306
Deposits	7,106	7,106
Total current liabilities	176,004	73,639
Long-term liability: Net pension liability	<u>1,101,797</u>	<u>901,425</u>
Total Liabilities	<u>1,277,801</u>	<u>975,064</u>
<u>DEFERRED CASH INFLOWS: Pension costs</u>	<u>253,571</u>	<u>399,822</u>
<u>NET POSITION</u>		
Net investment in capital assets	14,141,398	14,210,935
Unrestricted	<u>2,235,067</u>	<u>2,402,203</u>
Net Position	<u>\$ 16,376,465</u>	<u>\$ 16,613,138</u>

See accompanying notes to the financial statements.

RICHARDSON BAY SANITARY DISTRICT

**STATEMENTS OF REVENUES AND EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Operating Revenues:		
Sewer service charges	\$ 1,255,400	\$ 1,232,005
Connection charges	25,025	32,223
Other	<u>20,850</u>	<u>30,802</u>
Total operating revenues	<u>1,301,275</u>	<u>1,295,030</u>
Operating Expenses:		
Sewerage processing costs (SASM)	1,448,746	1,406,242
Operating and maintenance	918,174	858,145
General and administrative	372,772	254,206
Depreciation	<u>500,131</u>	<u>458,243</u>
Total operating expenses	<u>3,239,823</u>	<u>2,976,836</u>
Operating Loss	<u>(1,938,548)</u>	<u>(1,681,806)</u>
Non-Operating Revenues:		
Property taxes	1,684,403	1,570,667
Investment income	<u>8,036</u>	<u>8,320</u>
Total non-operating revenues	<u>1,692,439</u>	<u>1,578,987</u>
Decrease in Net Position	(246,109)	(102,819)
Net Position, Beginning of Year	16,613,138	16,679,077
Contributed Capital	<u>9,436</u>	<u>36,880</u>
Net Position, End of Year	<u><u>\$ 16,376,465</u></u>	<u><u>\$ 16,613,138</u></u>

See accompanying notes to the financial statements.

RICHARDSON BAY SANITARY DISTRICT

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Cash received from service, connection and other charges	\$ <u>1,307,773</u>	\$ <u>1,311,925</u>
Cash paid for:		
Sewerage processing costs	1,448,746	1,406,242
Operating and system maintenance	951,610	912,914
General and administrative	385,957	274,463
Change in pension debt and related inflows and outflows of resources	<u>(73,380)</u>	<u>63,895</u>
Total	<u>2,712,933</u>	<u>2,657,514</u>
Cash used for operating activities	<u>(1,405,160)</u>	<u>(1,345,589)</u>
 Cash Flows from Investing Activities:		
Interest income	<u>8,036</u>	<u>8,320</u>
 Cash Flows from Capital and Related Financing Activities:		
Contributed capital	9,436	36,880
Property additions	<u>(322,357)</u>	<u>(2,941,059)</u>
Cash used for capital and related financing activities	<u>(312,921)</u>	<u>(2,904,179)</u>
 Cash Flows from Non-Capital and Related Financing Activities:		
Property taxes collected	<u>1,684,403</u>	<u>1,570,667</u>
 Net Decrease in Cash and Equivalents	(25,642)	(2,670,781)
 Cash and Equivalents, Beginning of Year (Restated)	<u>3,604,648</u>	<u>6,275,429</u>
 Cash and Equivalents, End of Year	\$ <u>3,579,006</u>	\$ <u>3,604,648</u>
 Reconciliation of Cash and Equivalents to Amounts Reported on the Statement of Net Assets:		
Cash and equivalents	\$ 1,595,379	\$ 1,303,363
Board restricted cash reserves	<u>1,983,627</u>	<u>2,301,285</u>
	<u>\$ 3,579,006</u>	<u>\$ 3,604,648</u>

See accompanying notes to the financial statements.

RICHARDSON BAY SANITARY DISTRICT

**RECONCILIATIONS OF OPERATING LOSS TO CASH
REQUIRED BY OPERATING ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Operating Loss	\$ (1,938,548)	\$ (1,681,806)
Add or deduct items not requiring the use of cash:		
Depreciation	500,131	458,243
Change in deferred outflows and inflows of resources related to pension	(126,992)	388,190
Changes in assets and liabilities:		
Decrease in accounts receivable and deposits	6,498	16,895
Increase in OPEB funded in advance	(40,749)	(39,805)
Decrease in operating accounts payable	(2,144)	(30,541)
Decrease in compensated absence liability	(3,728)	(4,680)
Increase (decrease) in pension debt	<u>200,372</u>	<u>(452,085)</u>
Cash Required by Operating Activities	<u>\$ (1,405,160)</u>	<u>\$ (1,345,589)</u>

See accompanying notes to the financial statements.

RICHARDSON BAY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. THE ORGANIZATION

Richardson Bay Sanitary District (District) is an independent special district that provides sewage collection services in portions of the Town of Tiburon, California and adjacent unincorporated areas of Marin County. The District is a proprietary fund, also referred to as an enterprise fund, which is a fund established by governmental agencies to account for goods and services provided to the general public that are financed primarily through user charges.

The District's cash and equivalents and Board restricted reserves include demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The District's cash is pooled with other similar funds administered by the County of Marin. Investments are reported at fair value. The County of Marin is restricted by State statute to invest in its own bonds, U.S. Treasury notes, commercial paper, and like investments. Interest earned on pooled funds is allocated to the District quarterly based on the District's average daily balance.

In 1979, the District joined with five similar districts in southern Marin County to create the Sewerage Agency of Southern Marin (SASM). SASM was formed to provide, at cost, final treatment to the sewage collected by member districts. Each district is charged an annual fee based on SASM's estimated operating costs, (including principal and interest repayments on debt and certain capital improvement costs) and the relative number of equivalent dwelling units contained within its boundaries.

As of June 30, 2016, SASM has an outstanding balance of \$4,215,000 in 2% to 4% revenue bond debt and an outstanding balance of \$2,165,000 in a 2% bond anticipation note. The bonds mature over a 30-year period ending in 2042 and the bond anticipation note matures in March 2017. In October 2016, SASM issued \$38 million in revenue bonds for the purpose of refunding the revenue bond debt and bond anticipation note and funding its five-year capital improvement program and related costs. Additionally, SASM has an unfunded actuarial accrued liability of approximately \$3.3 million for pension and other post-employment benefits provided to its employees and has made payments of approximately \$275,000 towards that obligation. As a member of SASM, the District's future assessments for sewage treatment cost will include its pro-rata share to cover these obligations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are described below to enhance the usefulness of the financial statements to the reader. Certain amounts in the financial statements have been reclassified to conform with the current presentation

Basis of Presentation and Accounting: The activities of the District are accounted for in a single enterprise fund using the accrual basis of accounting. The District is engaged in only business-type activities and the District's basic financial statements consist of only the financial statements required for enterprise funds. These include management's discussion and analysis, a statement of net position, a statement of revenues, expenses, and changes in net

RICHARDSON BAY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

position, a statement of cash flows, these notes to the basic financial statements, and required supplementary information. Proprietary enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and processing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to the households and commercial and public facilities in the District for sewer service. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District, as authorized by its Board of Directors, charges new users a fee to pay for capital improvements necessitated by their addition. Fees received have been treated as contributed capital and have been expended solely on infrastructure improvements.

Cash and Equivalents: Cash equivalents include short-term, highly liquid, unrestricted investments administered by the County of Marin. The District's policy for deposits is that they will be made in institutions in California; they will be insured or collateralized in accordance with section 53562 of the California Government Code. At June 30, 2016, \$3,328,681 of the District's bank balances was exposed to credit risk.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. All monies held with the County of Marin are not evidenced by specific securities; and therefore are not subject to custodial credit risk disclosure requirements.

State law limits investments in various securities to certain levels of risk ratings issued by nationally recognized statistical rating organizations. It is the County of Marin's Treasurer's Investment Pool Policy to comply with those standards. The monies held with Marin County are unrated.

For statement of cash flow purposes, cash and equivalents include both unrestricted and reserve accounts. The 2015 cash flow statement has been restated to include the reserve account.

Receivables, Property taxes and Sewer Service Revenues: Property taxes are levied as of July 1 on property values assessed as of the same date. State statutes provide that the property tax rate be limited generally to one percent of market value, be levied by only the County, and be shared by applicable jurisdictions. The County of Marin collects the taxes and distributes them to taxing jurisdictions on the basis of assessed valuations subject to voter-approved debt. Property taxes are due on November 1 and March 1, and become delinquent on December 10 and April 10. The District receives property taxes pursuant to an arrangement with the County known as the "Teeter Plan". Under the plan, the County assumes responsibility for the

RICHARDSON BAY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

collection of delinquent taxes and pays the full allocation to the District. The District recognizes property tax revenues in the fiscal year in which they are due to the District and accrues as receivable such taxes. Accordingly, the District provides for no allowance for doubtful accounts.

Sewer service fees are set by the District based upon rates applied to the number of equivalent dwelling units (EDUs). For residential properties the rate is one EDU. Commercial properties are based on a calculated number of EDUs based on a measurement of water flow. The sewer service fees are incorporated into the property tax billings, and such fees are due in two equal installments on December 10 and April 10 following the assessment date. The District recognizes these fees as revenues in the year earned, which is also the year in which the service is provided to properties within the District. Under the Teeter Plan arrangement discussed above, the County remits substantially all of the sewer fees to the District each year, and the County bears the burden of any uncollectible accounts. Therefore, the District does not provide for an allowance for uncollectible accounts or bad debts.

Property, Plant and Improvements: Property, plant and improvements are recorded at cost. Depreciation is computed using the straight line method over the estimated lives of the assets as follows:

Sewer lines and pump stations	40 years
Management facilities and water reclamation equip	10-20 years
Generators, office equipment and tools	5-20 years

The normal cost of maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

Compensated Absences: The District accrues a liability for vacation earned by District employees because future payment for such absences has been earned. The District does not provide for payment of unused sick leave at termination dates.

Pensions: For purposes of measuring the net pension liabilities, deferred outflows/inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Agency's California Public Employees Retirement System (CalPERS) plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows and Inflows: The District recognizes deferred outflows and inflows of resources pursuant to GASB Statement Number 68. A deferred outflow of resources is defined as a consumption of net asset (net position) by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period.

RICHARDSON BAY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Net Position: The financial statements utilize a net position presentation. Net positions are categorized as follows:

- Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt against the acquisition, construction or improvement of those assets.
- Restricted Net Position - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. As of June 30, 2016 and 2015, there is no restricted net position.
- Unrestricted Net Position - This component of net position consists of net position that do not meet the definition of restricted or net investment in capital assets.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

3. BOARD RESTRICTED CASH RESERVES

The Board of Directors has authorized the establishment of cash reserves as of June 30 for the following purposes:

	<u>2016</u>	<u>2015</u>
Sewer line replacement	\$ 2,600,000	\$ 2,250,000
Pumping facilities replacement	1,455,000	1,490,000
Vehicle replacement	240,000	135,000
Shop and office	137,000	55,000
Catastrophic event reserve	<u>1,000,000</u>	<u>1,000,000</u>
Total authorization	5,432,000	4,930,000
Unfunded portion	<u>3,448,373</u>	<u>2,628,715</u>
Funded reserves	<u>\$ 1,983,627</u>	<u>\$ 2,301,285</u>

Withdrawals occur only upon approval of the District's board.

RICHARDSON BAY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND IMPROVEMENTS

Changes in the District's property, equipment and improvements and accumulated depreciation for the years ended June 30, 2016 and 2015 is summarized as follows:

	Balance June 30, 2014	Additions	Transfers/ Deletions	Balance June 30, 2015
<u>Historical Cost:</u>				
Sewer line and pump stations	\$ 16,261,897	\$ 1,804,218	\$	\$ 18,066,115
Management facilities and water reclamation equipment	1,843,140	1,551		1,844,691
Generators, office equipment and tools	645,002	1,696	(169)	646,529
Total	18,750,039	\$ 1,807,465	\$ (169)	20,557,335
<u>Accumulated Depreciation:</u>				
Sewer line and pump stations	3,746,716	414,233		4,160,949
Management facilities and water reclamation equipment	1,535,329	39,778		1,575,107
Generators, office equipment and tools	606,281	4,232	(169)	610,344
Total	5,888,326	\$ 458,243	\$ (169)	6,346,400
Property, Equipment and Improvements - net	\$ 12,861,713			\$ 14,210,935
	Balance June 30, 2015	Additions	Transfers/ Deletions	Balance June 30, 2016
<u>Historical Cost:</u>				
Sewer line and pump stations	\$ 18,066,115	\$ 430,594	\$	\$ 18,496,709
Management facilities and water reclamation equipment	1,844,691			1,844,691
Generators, office equipment and tools	646,529		(21,450)	625,079
Total	20,557,335	\$ 430,594	\$ (21,450)	20,966,479
<u>Accumulated Depreciation:</u>				
Sewer line and pump stations	4,160,949	456,352		4,617,301
Management facilities and water reclamation equipment	1,575,107	39,570		1,614,677
Generators, office equipment and tools	610,344	4,209	(21,450)	593,103
Total	6,346,400	\$ 500,131	\$ (21,450)	6,825,081
Property, Equipment and Improvements - net	\$ 14,210,935			\$ 14,141,398

RICHARDSON BAY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

5. CALPERS RETIREMENT PLAN

Plan Description: Employees of the District are provided with pension benefits under a plan which is part of a cost-sharing multiple-employer public employee pool of similar organizations administered by the California Public Employees Retirement System (CalPERS). CalPERS acts as a common investment and administrative agent for participating California public entities. Benefits provisions and all other requirements are established by State Statute and District Ordinances. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for CalPERS. That report may be obtained from their executive office, 400 "P" Street, Sacramento, California 95814.

Benefits Provided: CalPERS provides retirement, disability and death benefits to plan members and beneficiaries. Retirement benefits are determined as 3 percent of the employee's final 3-year average compensation multiplied by the employee's number of years of service. Employees with 5 years of continuous service are eligible to retire at age 60.

Contributions: Contribution requirements of active employees and the Districts are established and may be amended by the District. Employees are required to contribute 8.0% of their annual pay. Before September 2014, it was the District's policy to pay the employee's contribution. Effective September 1, 2014 employees are responsible to pay their required contribution. The District's contractually required contribution rate was 14.07% and 13.281% of covered payroll for the years ended June 30, 2016 and 2015, respectively. The rate was actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$77,297 and \$69,002 for the year ended June 30, 2016 and 2015, respectively. The District's proportionate share of employer contributions allocated to its CalPERS account was \$192,816 and \$157,404 for the year ended June 30, 2016 and 2015.

Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016 and 2015, the District reported a liability of \$1,101,797 and \$901,425, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 for the District's fiscal year ended June 30, 2016 and measured as of June 30, 2014 for the District's fiscal year ended June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The District's proportion of the net pension liabilities was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating public entities, actuarially determined. At June 30, 2016 and 2015, the District's proportion was 0.040% and 0.044%, respectively.

RICHARDSON BAY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

5. CALPERS RETIREMENT PLAN (continued)

For the year ended June 30, 2016 and 2015, the District recognized pension expense of \$150,677 and \$5,108, respectively. At June 30, 2016 and 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

As of June 30, 2016	Deferred Outflows of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 4,075	-
Changes of assumptions		\$ 38,557
Net difference between projected and actual earnings on pension plan investments		19,329
Changes in proportion and differences between District contributions and proportionate share of contributions		195,685
District contributions subsequent to the measurement date	77,297	-
Total	<u>\$ 81,372</u>	<u>\$ 253,571</u>
As of June 30, 2015	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments		\$ 399,822
Changes in proportion and differences between District contributions and proportionate share of contributions	\$ 31,629	
District contributions subsequent to the measurement date	69,002	-
Total	<u>\$ 100,631</u>	<u>\$ 399,822</u>

RICHARDSON BAY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

5. CALPERS RETIREMENT PLAN (continued)

The \$77,297 reported as a deferred outflow of resources as of June 30, 2016 relates to pension payments from the District for contributions made subsequent to the measurement date which will be recognized as a reduction of the net pension liabilities in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the District fiscal years as follows:

2017	\$	92,847
2018		95,106
2019		86,251
2020		(24,708)
<hr/>		
Net inflows		
and outflows	\$	249,496
<hr/>		

Actuarial assumptions: The total pension liabilities in the June 30, 2015 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.65%, net of pension plan investment expense, including inflation
Mortality Rate	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchase Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

Discount rate: The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the

RICHARDSON BAY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

5. CALPERS RETIREMENT PLAN (continued)

plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

For the measurement period that ended on June 30, 2014, a discount rate of 7.50 percent investment return assumption, net of administrative expenses of .15 percent. Using the lower discount rate had resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, PERS staff took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

RICHARDSON BAY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

5. CALPERS RETIREMENT PLAN (continued)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses:

<u>Asset Class</u>	<u>Net Strategic Allocation</u>	<u>Real Return Years 1 - 10 (a)</u>	<u>Real Return Years 11+ (b)</u>
Global equity	51.0%	5.25%	5.71%
Global fixed income	19.0%	0.99%	2.43%
Inflation sensitive	6.0%	0.45%	3.36%
Private equity	10.0%	6.83%	6.95%
Real estate	10.0%	4.50%	5.13%
Infrastructure and forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate: The following presents the District's proportionate share of the net pensions liability calculated using the discount rate of 7.65%, as well as what the District's proportionate share of the net pensions liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65%) or 1-percentage-point higher (8.65%) than the current rate:

	<u>1% Decrease (6.65%)</u>	<u>Discount Rate (7.65%)</u>	<u>1% Increase (8.65%)</u>
District's proportionate share of the net pension liability	\$ 1,847,790	1,101,797	\$ 485,893

Pension plans' fiduciary net position: Detailed information about the pension plans' fiduciary net position is available in the separately issued CalPERS financial report.

In December 2016 CalPERS' Board of Administration approved to lower the discount rate and investment rate of return assumptions that are used in the calculation of the net pension liability. The rates will decrease from 7.65% to 7.15% over the next three fiscal years. The impact on the District's financial statements will be an increase in the District's proportionate share of the net pension liability.

RICHARDSON BAY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

6. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

In addition to the pension benefits described in Note 5, the District provides post-retirement healthcare benefits to employees who retire from the District in accordance with District policy as approved by the Board of Directors. The District has agreed to cover the cost of health and dental insurance (exclusive of Medicare) for their retired employees if the employee retires under CalPERS and is enrolled with CalPERS-sponsored medical plans, after the age of 50 and with at least five years of service with the district.

Effective June 30, 2012, the District elected to participate in the California Employer's Retiree Benefit Trust (CERBT), a CalPERS program to assist agencies to advance fund other postretirement benefits (OPEB). Contributions are invested. The District is responsible for paying monthly OPEB premiums. The District has the ability to request withdrawals from CERBT to cover current annual premiums. There is no separate financial statement of the OPEB plan.

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on an amount actuarially determined in accordance with the parameters of government accounting standards. The annual required amount represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The District contributes annually an amount equal to the actuarially determined annual obligation into CERBT. The District has also elected not to request withdrawals from CERBT to cover the current year's annual premiums.

The following table shows the components of the District's annual OPEB cost, the amounts actually paid, and changes in the District's net OPEB obligation (prepaid) for the years ended June 30, 2016 and 2015:

Net OPEB prepaid, June 30, 2014	\$ (25,507)
Annual required amount	65,956
Contributions into CERBT	(65,956)
Premiums paid on behalf of retirees	(39,805)
Net OPEB prepaid, June 30, 2015	\$ (65,312)
Annual required amount	75,076
Contributions into CERBT	(74,288)
Premiums paid on behalf of retirees	(41,537)
Net OPEB prepaid, June 30, 2016	\$ (106,061)

RICHARDSON BAY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

6. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

The District's annual OPEB cost, the percentage of the annual OPEB cost paid and the net OPEB obligation for the years ended June 30, 2016 and 2015 were as follows:

Year	Annual OPEB Cost	Percent Paid	Net OPEB Obligation (Prepaid)
2014	\$64,721	165.28%	\$ (25,507)
2015	\$65,956	160.35%	\$ (65,312)
2016	\$75,076	154.28%	\$ (106,061)

An actuarial valuation is required once every three years. Valuations were performed as of June 30, 2012, June 30, 2013 and June 30, 2015. The actuarial accrued liability for benefits (AAL), the covered payroll (the annual payroll of active employees' eligible to participate) and the ratio of the unfunded actuarial accrued liability (UAAL) are summarized on page 27.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status and the annual required employer contribution amount are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of assets set aside to cover obligations is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the approved policy (the policy as understood by the employer and qualified employees) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and qualified employees to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuations, the Entry Age Normal Cost Method was used. The actuarial assumptions included a discount rate (6.736% for the June 30, 2015 valuations and 6.36% for the June 30, 2012 and 2013 valuations). The June 30, 2015 valuation assumes the annual healthcare cost to increase 6% initially, reduced by decrements of 0.25% to an ultimate rate of 4.5% after six years and the annual dental cost trend of 4 percent. Assumed premiums ranged

RICHARDSON BAY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

6. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

from approximately \$2,800 to \$15,100. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of payroll over 30 years from June 30, 2015. An assumption change was required for the June 30, 2015 valuation. The assumption change was a result of a change in the professional standards for actuaries which required the incorporation of age-specific claim costs in calculating the AAL. The impact increased the AAL by approximately \$230,000 as of June 30, 2015.

7. DEFERRED COMPENSATION PLAN

Employees of the District may participate in two deferred compensation plans adopted under the provisions of Internal Revenue Code (IRC) Section 457 (Deferred Compensation Plans with Respect To Service For State and Local Governments).

The deferred compensation plans are available to all employees of the District. Under the plans, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until their withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

The deferred compensation plans are administered by unrelated financial institutions. The District has implemented GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statement of net position.

In accordance with a revision to Section 457, the District has been designated as the trustee of the plans' assets and the plans' assets are to be held for the exclusive benefit of the plans' participants and beneficiaries and not diverted to any other purpose. The value of those plan assets approximates \$459,000 at June 30, 2016.

8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters, for which the District carries insurance. The District is a member of the California Sanitation Risk Management Authority (CSRMA), a Joint Powers Authority for risk pooling, which provides insurance coverage and risk management services to its 60 member agencies through its' coverage programs.

The District participates in CSRMA's Pooled Liability Program, where each member agency is assessed a deposit based on their ratable exposures. At each program's year end, deposits are retrospectively reviewed for all years of participation, based on actual loss performance of the individual member agencies. If a member's losses exceed their deposit, the member is assessed, through a debit on their renewal invoice, to adjust for this situation. Conversely, if the member's losses are less than the collected deposit, a credit is shown on the member's renewal invoice.

RICHARDSON BAY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

8. RISK MANAGEMENT (continued)

The risk of loss is transferred from the District to CSRMA under this arrangement. CSRMA's Pooled Liability Program provides \$25 million in coverage to the members with a combination of reinsurance and excess insurance, with CSRMA retaining the first \$500,000. The District maintains a \$25,000 liability deductible. The District also participates in CSRMA's property insurance program for its buildings and plant with \$55 million in total insurable values.

Audited condensed financial information for CSRMA is presented below for the year ended June 30, 2015 (most recent information available):

	<u>June 30, 2015</u>
Total Assets	\$ 27,418,098
Total Liabilities	<u>16,714,638</u>
Total Equity	<u><u>\$ 10,703,460</u></u>
 Total Revenues	 \$ 10,895,632
Total Expenditures	<u>11,157,866</u>
Net Loss	<u><u>\$ (262,234)</u></u>

The District paid no material uninsured losses during the last three fiscal years. There have been no significant reductions in insurance coverage, and there have been no settlements exceeding insurance coverage in the last three years.

Liabilities of the District are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. There were no claims payable as of June 30, 2016.

9. CONTINGENCIES AND CONCENTRATIONS

The following have the potential to effect the operations of the District:

Contractual Commitments:

Sewerage Agency of Southern Marin - On January 25 and January 31, 2008 partially treated sewage spilled into Richardson Bay. The waste water came from Sewerage Agency of Southern Marin's (SASM) processing plant. As result of the spills, an assessment of \$1.6 million was levied against SASM by a governing oversight board. Of the total assessment of \$1.6 million, SASM paid \$800,000 to the California Regional Water Quality Control Board using reserve funds. In addition, the settlement provides that SASM shall fund and implement \$800,000 in improvements and programs referred

RICHARDSON BAY SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

9. CONTINGENCIES AND CONCENTRATIONS (continued)

to as supplemental environmental projects. In June 2010, the Board of SASM approved increases of the sewerage processing fee of 3% annually during the years 2014 through 2018 to replenish its reserves and address expected increases in operating costs.

The Environmental Protection Agency, EPA, has also issued an administrative order against SASM and the joint powers member agencies in June 2008 to employ certain procedures, make certain capital improvements, and provide additional reporting until the order is terminated by the EPA. The District has made all capital improvements and procedural changes required by the order and is now only providing additional reporting.

RICHARDSON BAY SANITARY DISTRICT

**REQUIRED SUPPLEMENTAL SCHEDULE OF FUNDING PROGRESS FOR
RETIRED EMPLOYEES HEALTH CARE PLAN
JUNE 30, 2016 AND 2015**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll	Unfunded AAL as a % of Covered Payroll
6/30/2012	0	\$ 899,625	\$ 899,625	0%	\$ 454,272	198%
6/30/2013	63,427	\$ 933,058	\$ 869,631	6.80%	\$ 454,272	191%
6/30/2015	206,291	\$ 1,145,873	\$ 939,582	18.00%	\$ 467,901	201%

RICHARDSON BAY SANITARY DISTRICT

**REQUIRED SUPPLEMENTAL SCHEDULE OF THE DISTRICT'S
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ADMINISTERED BY CALPERS**

Fiscal Year Information *

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0402%	0.0145%
District's proportionate share of the net pension liability	1,101,797	901,425
District's covered-employee payroll	479,100	467,901
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	229.97%	192.65%
Plan fiduciary net position as a percentage of the total pension liability	83.50%	86.59%

* The amounts presented for the fiscal year were determined as of the measurement date, which was one year prior to the fiscal year end date.

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the presented information is for those years for which information is available.

RICHARDSON BAY SANITARY DISTRICT

**REQUIRED SUPPLEMENTAL SCHEDULE OF THE DISTRICT'S
PENSION CONTRIBUTIONS**

CALPERS Employer Retirement Plan

Last 10 Fiscal Years*
(Dollar amounts in thousands)

	<u>2016</u>	<u>2015</u>
Contractually required contributions (actuarially determined)	77,297	69,002
Contributions in relation to actuarially determined contributions	77,297	69,002
Contribution Deficient (excess)	<u>-</u>	<u>-</u>
Covered payroll	479,100	467,901
Contributions as a percentage of covered payroll	16.13%	14.75%

Notes to Schedule:

Valuation Date:	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.65 percent, net of pension plan investment expense, including inflation
Mortality Rate	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchase Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

* The amounts presented for each fiscal year were determined as of the measurement date, which was one year prior to the fiscal year end date.

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the presented information is for those years for which information is available.

RICHARDSON BAY SANITARY DISTRICT

**SUPPLEMENTAL SCHEDULES OF OPERATING AND
SYSTEM MAINTENANCE AND GENERAL AND
ADMINISTRATIVE EXPENSES**

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>			<u>2015</u>
	<u>Operating and System Maintenance Expenses</u>	<u>General and Administrative Expenses</u>	<u>Total</u>	<u>Total</u>
Personnel	\$ 339,352	\$ 136,024	\$ 475,376	\$ 463,824
Benefits	243,009	97,407	340,416	181,025
Payroll taxes	24,423	10,067	34,490	34,101
Total payroll and related costs	606,784	243,498	850,282	678,950
Professional fees		69,134	69,134	33,896
Supplies	31,263	11,560	42,823	34,581
Utilities	32,606	3,938	36,544	34,927
Other	6,607	13,320	19,927	7,111
Truck operating costs	17,490		17,490	25,649
Insurance	16,654		16,654	16,755
Repairs and maintenance:				
Sewer	127,008		127,008	145,331
Pump station	51,588		51,588	26,231
Trestle Glen	21,886		21,886	75,357
Other				1,451
Telephone and communications		23,197	23,197	19,731
Board stipend		8,125	8,125	7,750
Laundry	4,568		4,568	3,056
Safety	1,720		1,720	1,575
TOTALS	\$ 918,174	\$ 372,772	\$ 1,290,946	\$ 1,112,351

RICHARDSON BAY SANITARY DISTRICT

**SCHEDULE OF ACTIVITY IN CASH RESERVED
FOR INFRASTRUCTURE AND OTHER IMPROVEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>2016</u>
Reserve Balance, Beginning of the Year:	\$ 2,301,285
Reduction: Transfers by Board to operating funds	(321,997)
Addition: Interest on restricted funds	<u>4,339</u>
Reserve Balance, End of the Year	\$ <u>1,983,627</u>

STATISTICAL INFORMATION

RICHARDSON BAY SANITARY DISTRICT

Table 1

Year Ended June 30	Operating			Non Operating		
	Sewer Service Charges	Connection Fees	Other Operating	Property Tax Collection	Investment Income	Total
2016	\$ 1,255,400	\$ 25,025	\$ 20,850	\$ 1,684,403	\$ 8,036	\$ 2,993,714
2015	\$ 1,232,005	\$ 32,223	\$ 30,802	\$ 1,570,667	\$ 8,320	\$ 2,874,017
2014	\$ 1,220,186	\$ 28,301	\$ 23,688	\$ 1,544,890	\$ 7,446	\$ 2,824,511
2013	\$ 1,217,269	\$ 24,661	\$ 3,008	\$ 1,390,431	\$ 11,543	\$ 2,646,912
2012	\$ 1,213,686	\$ 20,111	\$ 32,018	\$ 1,383,789	\$ 22,566	\$ 2,672,170
2011	\$ 1,181,215	\$ 22,381	\$ 20,138	\$ 1,394,602	\$ 52,771	\$ 2,671,107
2010	\$ 1,173,303	\$ 55,148	\$ 23,604	\$ 1,456,970	\$ 106,340	\$ 2,815,365
2009	\$ 1,169,561	\$ 41,951	\$ 21,615	\$ 1,400,245	\$ 245,332	\$ 2,878,704
2008	\$ 1,167,657	\$ 47,800	\$ 16,194	\$ 1,513,543	\$ 468,520	\$ 3,213,714
2007	\$ 1,137,703	\$ 43,639	\$ 18,618	\$ 1,260,287	\$ 438,718	\$ 2,898,965

Source: Audited Financial Statements

Table 2

Expenses by Function

Year Ended June 30	Sewerage Processing Charges	Operating and Maintenance	General and Administrative	Subtotal	Depreciation	Total
2016	\$ 1,448,746	\$ 918,174	\$ 372,772	\$ 2,739,692	\$ 500,131	\$ 3,239,823
2015	\$ 1,406,242	\$ 858,145	\$ 254,206	\$ 2,518,593	\$ 458,243	\$ 2,976,836
2014	\$ 1,343,397	\$ 913,442	\$ 349,197	\$ 2,606,036	\$ 403,209	\$ 3,009,245
2013	\$ 1,216,814	\$ 893,976	\$ 391,281	\$ 2,502,071	\$ 365,335	\$ 2,867,406
2012	\$ 1,102,588	\$ 899,256	\$ 303,891	\$ 2,305,735	\$ 352,837	\$ 2,658,572
2011	\$ 950,486	\$ 893,821	\$ 287,606	\$ 2,131,913	\$ 320,631	\$ 2,452,544
2010	\$ 829,012	\$ 877,704	\$ 260,789	\$ 1,967,505	\$ 292,790	\$ 2,260,295
2009	\$ 826,943	\$ 954,145	\$ 260,593	\$ 2,041,681	\$ 274,712	\$ 2,316,393
2008	\$ 711,612	\$ 922,559	\$ 192,282	\$ 1,826,453	\$ 273,921	\$ 2,100,374
2007	\$ 669,368	\$ 879,792	\$ 188,963	\$ 1,738,123	\$ 275,973	\$ 2,014,096

Source: Audited Financial Statements

NOTE: GASB Number 68 went into effect during the year ended June 30, 2015. The summary of costs by functions for the years ended June 30, 2014 and prior have not been restated to conform with GASB Number 68.

RICHARDSON BAY SANITARY DISTRICT

Statistical Section Miscellaneous Statistics June 30, 2016

General

Authority	Resolution via public election
Governing body	Elected five-member Board of Directors
Chief executive officer	District Manager
Chief financial officer	District Manager
Date of formation	February 21, 1949
Type of service	Sewage and solid waste collection
Number of employees	4

Service Charges

- ◆ Annual service charges are based upon the charge per EDU and the number of EDU's. An EDU generally is one household. However, in the case of multiple dwellings, the number of EDU's varies by dwelling. EDU's for commercial and industrial type buildings vary depending upon the quantity and strength of flow.
- ◆ Inspection and permit fees are based upon the number of fixtures within each dwelling.

Contact Information June 30, 2016

Retirement Plans Contact Information:

Public Employees Retirement Systems
Lincoln Plaza
400 P Street
Sacramento, CA 95814
(888) 225-7377